



Bruce Rauner
Governor

Jeffrey D. Mays
Director

Employment Security Advisory Board Meeting
Thursday, December 14, 2017
Minutes

Attendees:

Springfield: **Tim Drea**
 Mark Grant
 Jerry Peck (Proxy for Greg Baise)
 Bill Potts

Chicago: **Jim Argionis**
 Tony Garcia
 David Prosnitz

Telephone: **Rob Karr**
 Rick Terven

Absent: **John Easton**
 Sharon Thomas-Parrott

With a quorum of the members present, the meeting was called to order by Chairman Jim Argionis.

Agenda:

- Minutes of the meeting held September 21, 2017, were approved.

- **Director's Comments (Director Jeff Mays)**

GenTax – A good number of inactive employer accounts were purged recently after the installation of GenTax, with the goal of providing a more accurate count of establishments in the BLS/quarterly census of employment and wages. The purge reduced the number of establishments by roughly 10%.

Following the conversion to GenTax, at least 46,000 employers have moved from paper filing to electronic filing through MyTax.

Tax Rates – The state unemployment tax rates of over 90 percent of IL's nearly 340K employers will drop in 2018. Fewer than 10 percent will experience rate increases. For 2018, the state's unemployment insurance system is expected to be \$800M cheaper for employers than it was four years ago. Even as UI taxes have gone down each year since 2015, IDES retired over \$963M in UI bonds under the most aggressive timeframe allowed by the bond indenture agreement.

IDES Performance – Following up on last quarter's discussion of IL making the US Department of Labor's "high priority list," the state is showing significant progress toward meeting federal timeliness and quality standards for first-level determinations and is now solidly meeting the federal standard for timeliness of initial benefit payments and detection of overpayments.

2018 – IDES just finished its 2017 Leadership Caucus this week and we head into 2018 with a sense of accomplishment, but not a sense of satisfaction. We have made great strides and many changes this year with ERP and GENTAX leading the way. While we are finishing a robust year, we’re planning to build upon the progress we’ve made. IDES is preparing for the next downturn, and our efforts will put this agency in a position to endure whatever the future may hold.

SB 1381 – This fall, the General Assembly passed SB 1381 – the agreed unemployment insurance bill that moved the so-called rest stops from calendar year 2018 to 2020. The rest stops are tax increases and benefit cuts intended as an incentive for business and labor to revisit the health of the unemployment insurance system periodically. According to current estimates, the 2020 rest stops would raise taxes by approximately \$500M and cut benefits by approximately \$400M.

SB 1941 – As of this week, there have been a total of 502 additional benefit claims processed and a total of \$5,128,222 in benefits paid as a result of Senate Bill 1941, which provided benefits to laid-off workers from Granite City Steel and related firms in the Metro East.

USDOL Notice –The US Department of Labor recently issued a request for comments on its proposal to gather information from states that issued bonds as an alternative to federal loans, to cover shortfalls in their Unemployment Trust Fund accounts during the last economic downturn. Comments are due 2/9/2019. At this point, it appears USDOL may just be considering establishing a list of factors that states should consider in deciding whether to issue bonds or borrow from the federal government in the future.

- **Integrity Update (Joe Mueller)**

IDES has employed a variety of measures to identify, prevent and recover improper unemployment benefit payments, including 1) cross matches against a) state driver’s license records, b) Social Security records, c) a national data base of incarcerated individuals, d) national and state new hire directories, and e) IDES’s online job board (to check work search efforts); and 2) use of the Comptroller’s offset at the state level and the federal Treasury Offset Program, to recover amounts due to the system. Beginning November 2011 through 11/30/2017, IDES estimates it has prevented \$853M in potential benefit overpayments, identified \$98M in overpayments and recovered \$198M in overpayments. The Department has also begun cross-matching claims against monthly wage reports. On the employer side, IDES conducted 3,200 employer audits in SFY15, identifying \$296M in net unreported wages and \$6.5M in unreported UI taxes; for SFY16, the Department conducted approximately 3,800 audits, identifying \$160M in net unreported wages and \$2.9M in unreported taxes; for SFY17, the Department conducted approximately 3,600 audits, identifying just under \$200M in net unreported wages and \$3.8M in unreported taxes. For SFY18 to date, the Department has conducted approximately 900 audits, identifying \$76M in net unreported wages and \$1.3M in unreported taxes. Audit activity for SFY18 is lagging the SFY17 pace due to work interruptions necessitated by the transition to the new IT system for taxes. The agency has also lost nearly one-third of its auditors since January 2017, primarily due to retirements, but plans to raise its auditor headcount above the January level. In January 2016, the Department had decreased the use random audits and increased its use of audits triggered by a specific issue – e.g., a benefit assignment audit, which occurs when someone files for benefits, but the agency has no record of wages being reported for that individual. Since September 2017, however, IDES has temporarily increased its reliance of random audits, to meet federal standards for overall audit coverage. Finally, starting with federal income tax refunds for 2017, the Department will use the federal Treasury Offset Program to help recover delinquent employer liabilities.

- **Quarterly Financials Presentation**

- Unemployment Trust Fund Report (George Putnam)**

Factoring in more than \$1.5B in proceeds from the 2012 issuance of unemployment insurance bonds, the state’s UTF account ended each of calendar years 2015 and 2016 with a positive balance of \$1.5B and is projected to end calendar year 2017 with a positive balance of \$1.6B. Year-end balances are projected to remain positive through 2020 – the extent of the forecast horizon – which is expected to close with a balance of \$900M. However, starting in 2018, the account is expected to run annual deficits through the end of the horizon. After successful testing, beginning 2018, the Department will retire the QuatroPro version of the Trust Fund model. With the transition to Excel complete, the Department will now work on conducting a “backcast” – i.e., assess what the model would have projected as of some previous point if all the forecasts that are input into the model had been perfect.

- **Master Bond Fund Report (Lind DeMore)**

On 7/31/2012, \$1.6B in bond proceeds, net of premium and underwriters' discount, were deposited into the MBF upon closing of the Series 2012 Bonds. A little over \$1.5B was used to repay outstanding federal advances to the UTF account and establish a surplus in that account. As of 6/15/2017, the bonds were redeemed in full. On 9/25/2017, the MBF's remaining balance of \$156M was transferred to the UTF account.

- **Discussion**

Next Meeting – The Board's operating resolutions provide for quarterly meetings, to take place on the third Thursday of March, June and September and the second Thursday of December. Per the ESAB's operating resolutions, the next meeting is scheduled for Thursday, March 15, currently to be held at 10:00 a.m.

IDs – Members wishing to have new IDES ID cards should have their pictures taken following the meeting or e-mail their pictures to Gina, and new IDs will be mailed to them at the address listed on the ESAB membership roster, unless they would prefer the IDs to be sent elsewhere. Any previously issued cards have now expired.

Motion to adjourn was made and seconded. The meeting adjourned.